

**CITY OF MILPITAS
CITY COUNCIL UTILITY RATE SUBCOMMITTEE**

**Tuesday, September 26, 2006
MEETING MINUTES**
City Hall, 1st Floor Committee Room

- I. Mayor Esteves called the meeting to order at 7:04 pm.
- II. Attendees: Mayor Jose Esteves, Councilmember Robert Livengood, Richard Pio Roda, Charles Lawson, Emma Karlen, Greg Armendariz, Marilyn Nickel and members of the public.
- III. Announcements – There were no announcements.
- IV. Agenda was approved with Item IX Solid Waste moved up in front of item VII.
- V. Minutes from August 8, 2006, were approved.
- VI. Citizens Forum – There were four people in the audience from the pub and none spoke.
- VII. **Water Rate Tier Review**
Mr. Armendariz gave a powerpoint presentation with the following key points:
 - a. Review of Water Rate Tier
 1. Since Oct 17, 1995, residential water is charged on two tiers of: less than or equal to 20 units; and more than 20 units.
 2. Purpose of two tiers: Council adopted a 2-tier system on June 29, 1989, to provide a lifeline to the community and an incentive to conserve.
 3. 1 unit = 1 hundred cubic feet = 748 gallons
 4. Average single family use is 23 units.
 5. Water cost = \$2.01/unit
 6. The 1st tier rate (the first 20 units) is discounted 30% to \$1.40/unit; the 2nd tier is \$2.93/unit.
 7. The City's Water Fund is non-profit enterprise that must purchase water, pay all operating costs, and replace infrastructure.
 8. The rate structure must always provide revenues to pay all costs.
 - b. Responses to questions raised during the August 8, 2006 meeting:
 1. Estimated revenue loss for various 1st tier ranges with no change in rates are:
 - 20 units – breakeven
 - 30 units - \$900,000
 - 40 units - \$1,100,000
 - 50 units - \$1,200,000

2. Most customers use less water than Mr. Hayat's family.
 - Mr Hayat's usage was 25 units and 79% of the customers used equal to or less than 25 units for that billing period
 - 29 units – 99%
 - 58 units – 99% (only 1% of users exceeded Mr. Hayat's)
 - 48 units – 88%
3. Ms. Dorothea Randolph can reduce her utility bill by keeping water usage in the first tier and providing her own garbage container.
4. The City Council approved unanimously (Mayor Esteves, Vice Mayor Dixon and Councilmembers Gomez, Livengood and Polanski) the April 2003 Financial Utility Master Plan (FUMP).
5. Bacteriological samples were taken at 2 homes and the results were negative. Water is found to be safe to drink and the customers were notified.
6. 16 of 31 cities surveyed offer discounts on water bills to either seniors and /or low-income households ranging from 10-30%.
 - Some program features include a cap on eligible consumption, low-income eligibility by verifying through PG&E Care Program, income tax returns and other government assistance programs, and a handout listing organizations available to help short-term hardship.
 - Other cities fund a hardship program with their general water, which may be in conflict with Proposition 218 requirements, voluntary contributions, and late payment revenues.
- c. Staff recommendations:
 1. Maintain the current 2-tier program
 2. Continue with 1st tier at 20 units to maintain previous council policy for lifeline and conservation
 3. Direct staff to initiate a rate structure study
- d. Key discussion points:
 1. Mr. Umar Hayat requested that his rate be fair and based upon the number of people in the household, and stated that it is too much of a hassle to apply for the programs mentioned. This is the last meeting he will attend on this topic.
 2. How is "fair" defined? For example, what happens if a household contains 3 families? Is it fair to give a break to a household of 8 and not a household of 4? The Milpitas tier system was adopted by Council to help people who are in a hardship situation and promote conservation
 3. It is too cumbersome for the City to manage household population for 15,000 meters. It is not practical to use medical conditions as an eligibility criteria due to privacy issues, administrative costs, background checks, etc.
- e. Subcommittee recommendation: Due to the lateness of the hour, Councilmember Livengood left before a recommendation was made.

VIII. Late Fee Revenues

- a. Finance Director Karlen presented a powerpoint identifying the following key points:

- Late payment revenues totalled \$220,843 for nine months of FY 04-05 and \$261,468 for FY 05-06.
- The number of late payment reminders dropped from \$21,478 in FY 03-04 to 14,723 in FY 04-05 and 13,025 in FY 05-06.
- The number of accounts disconnected for non-payment dropped from 1800 in FY 03-04 to 695 in FY 04-05 and 419 in FY 05-06.

IX. Solid Waste Services for Spring Valley Heights

- a. Public Works Director Armendariz presented a power point identifying the following key points:
 - During the September 5, 2006, City Council meeting, Council requested staff to bring this issue to the Subcommittee.
 - An audit determined that these residents were not being billed for solid waste services.
 - Public health and safety concerns include: may set precedence of self haul, self-haul is a violation of the Franchise Agreement currently with Allied Waste, difficult in tracking eligible parties for Allied Waste, potential increase in illegal dumping, issues with keeping streets clean.
 - Staff recommendation: deny request for the waiver from the mandated solid waste service.
- b. Key discussion points:
 - 16 homes being serviced and seven paying bills; Gil Cheso of Allied Waste noted they do not have records.
 - City issued letter stating they will take over billing
 - No reports of garbage on the road, illegal dumping, no placement of garbage in other people's garbage, no placing garbage on the road and no complaints.
 - Five people have steep driveways, long haul or combination.
 - Past practice has occurred for 15 years.
 - Spring Valley annexed to the City in 1988. Owners were told to contact BFI directly.
 - City working simultaneously with Spring Valley to deliver new water service to the residents.
 - Spring Valley worked with City to put clauses within the Hillside Ordinance, that if it came to health and safety, that they would be allowed to hookup and would pay City for maintenance and water being used by the Residents.
 - Some residents take their garbage to their dumpsters at work daily and further stated that for the Allied customers, they are picked up once a week.
 - Approval of Waiver violates Franchise Agreement.
- c. Subcommittee recommendation to the City Council: Allow waiver for the nine homes by address not currently using the service. When any of those homes are

sold, the new owners are not eligible for the waiver and shall subscribe to mandatory service.

X. **Other Business** – There was none.

XI. **Adjournment** – A report back to City Council on solid waste discussion was tentatively scheduled for Tuesday, October 3, 2006. The meeting was adjourned at 8:20 pm.